BUDGET SPEECH 2006

The Right Choices:
Momentum for Growth and Prosperity

Delivered by

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Minister of Finance and
President of Treasury Board

At The
Third Session of The Forty-Fifth General Assembly
of The House of Assembly

Thursday, March 30, 2006
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INTRODUCTION

The Right Choices: Momentum for Growth and Prosperity

Mr. Speaker, in 2003, our government was elected under the leadership of Premier Danny Williams to implement a comprehensive and far-reaching blueprint for economic and social development. On the second anniversary of our first budget, I am delighted to report that our economy is moving forward and the momentum is greater now than it has ever been. But rather than become complacent, our government believes now is the time to drive our economy even harder in order to reap even greater returns. Budget 2006 supports that fundamental belief.

Our change of circumstances is not the product of fate or chance. It is the result of responsible governing, careful planning and a great deal of cooperation and hard work. Our government entered office having inherited fiscal challenges that were clearly troubling and unsustainable. And though the future to some may have looked bleak, we had a vision of a stronger, sustainable, self-reliant Newfoundland and Labrador; and we also had a plan, an eight-year blueprint for prosperity to make our bold vision for this province a bright reality. We entered into a partnership with the people of Newfoundland and Labrador and with our public employees to focus our strengths on developing strategies that would help us seize opportunities – opportunities that hold the promise of a new era of progress in Newfoundland and Labrador. Everything we have done in the past two years and everything we do in the years ahead in putting our plan into action is focused on laying a solid foundation on which we will build a future of growth and prosperity that touches every region of our province. Newfoundland and Labrador is on the right track; we are more confident today than we have ever been; and we are sensing the momentum of progress as our destination comes more clearly into focus with each passing day.

I want to thank our public employees and the people of our province for working with us to build a stronger, more sustainable Newfoundland and Labrador. The tremendous fiscal progress we have made together is among our greatest achievements. Together, we stood proudly behind our Premier when he fought for and achieved a tremendous victory on the sharing of offshore revenue under the new Atlantic Accord.

“The Right Choices: Momentum for Growth and Prosperity”
Newfoundland and Labrador
Main Economic Indicators
(Percentage Change)

<table>
<thead>
<tr>
<th></th>
<th>2005e</th>
<th>2006 f</th>
<th>2007 f</th>
<th>2008 f</th>
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<tr>
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<td></td>
<td></td>
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</tr>
<tr>
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<tr>
<td>Real</td>
<td>1.7</td>
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<td>Personal Income</td>
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<td>Nominal</td>
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<td>Real</td>
<td>0.8</td>
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<td>0.3</td>
<td>0.1</td>
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<tr>
<td>Retail Sales</td>
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<tr>
<td>Nominal</td>
<td>2.2</td>
<td>2.3</td>
<td>1.3</td>
<td>1.5</td>
</tr>
<tr>
<td>Real</td>
<td>-1.1</td>
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<td>0.0</td>
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<tr>
<td>Housing Starts</td>
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<td>-8.5</td>
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<tr>
<td>Consumer Price Index</td>
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<tr>
<td>Employment</td>
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<td>0.6</td>
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<td>Unemployment Rate (percent)</td>
<td>15.2</td>
<td>15.0</td>
<td>14.6</td>
<td>14.2</td>
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Employment and Unemployment Rate
1998 to 2006f

“The Right Choices: Momentum for Growth and Prosperity”
Oil Production and Price
1998-99 to 2008-09f

Retail Sales
1998 to 2006f

“The Right Choices: Momentum for Growth and Prosperity”
That victory, together with our other fiscal achievements in just the past two years, has strengthened the tools with which we are working to build a vibrant and self-reliant economy. With these tools in hand, we are strengthening our resolve to use them strategically, in the most effective ways we possibly can, so our efforts reinforce the foundation on which we are building and make Newfoundland and Labrador’s economy robust and resilient.

FISCAL FRAMEWORK

Review of 2005-06

Mr. Speaker, before considering our detailed fiscal plans and expectations for 2006-07 and beyond, let us reflect on the year we are about to conclude.

A year ago, in Budget 2005, I laid before this House a plan which forecast a deficit of $492.5 million. Mr. Speaker, I am pleased to report today that I now expect the province will report a surplus of $76.5 million for the year 2005-06. This represents an improvement of $569.0 million. This surplus reflects a benefit from the Atlantic Accord 2005 of $322.3 million. Without the successful conclusion of negotiations by the Premier, the province would be facing a deficit of almost $250 million.

This surplus is fully consolidated and, as such, includes the projections of each and every organization included in the government’s reporting entity. During the 2005-06 fiscal year, our government made a decision to include the operations of Memorial University as part of the consolidated group, the last organization needed to complete the full consolidation process. These revised projections now fully report on the government’s stewardship of taxpayers’ money.

The improvement in financial position from budget is predominately the result of increased revenues. The increase results from rising oil prices and the reclassification of 2004-05 Atlantic Accord revenues to 2005-06. Of the $545.6 million increase in revenues, $367.2 million is directly attributable to oil revenues and $133.6 million is due to the accounting reclassification. Because of responsible fiscal management, expenditures generally remained on track with the budget.
Forecast for 2006-07 and Beyond

Mr. Speaker, I am pleased to report that for the first time in our history the province is budgeting a surplus on a fully consolidated basis. The expected surplus of $6.2 million reflects revenues from our strengthened economy, including a growing resource sector, the benefits of the Atlantic Accord, reduced expenses related to debt servicing and the impact of the recent health accords and equalization arrangements, and includes substantial investments in the social and economic fabric of the province.

Beyond 2006-07, the benefits of a strong economy, the Atlantic Accord and strategic investments indicate surpluses in the foreseeable future.

We are particularly pleased that, as a result of responsible budgetary decision making, we will this year be allocating a significantly smaller percentage of our resources to service our debt, and our debt burden as a percentage of the province’s economic activity is significantly reduced. The province’s debt servicing expense as a percent of total revenues is now 13.7 per cent, a reduction from 23.3 per cent in 2003-04. Our debt-to-GDP ratio is expected to be 47.9 per cent, a reduction from 63.4 per cent in just three years. This is marvelous news and a testament to the effectiveness of multi-year fiscal planning. These positive indicators clearly demonstrate that, by continuing to walk a responsible fiscal path, we are leading Newfoundland and Labrador steadily upward from the quagmire of debt that has been holding us back for so long from economic sustainability and self-reliance. We are on the right track, we are making tremendous progress, and we are prepared to stay the course.

BUDGET PLAN FOR 2006-07

Revenue Plan

Mr. Speaker, the contribution of the oil industry to the provincial economy and treasury has changed dramatically over the past five years. The oil sector now contributes approximately 16 per cent to provincial GDP and about 18 per cent to provincial revenues. This compares to a contribution in 2002-03 of 7.8 per cent to GDP and 3 per cent to revenues.
### Consolidated Statement of Operations 2005-06

($ Millions)

<table>
<thead>
<tr>
<th></th>
<th>Restated Budget</th>
<th>Revised 2005-06</th>
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<td><strong>Net Expenses:</strong></td>
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<tr>
<td>Program Expenses</td>
<td>4,226.5</td>
<td>4,234.0</td>
<td>(7.5)</td>
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<td>Debt Servicing Expenses</td>
<td>963.0</td>
<td>934.3</td>
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<td>Net Income of Government Business Enterprises</td>
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<td><strong>Consolidated Surplus/ (Deficit)</strong></td>
<td>(492.5)</td>
<td>76.5</td>
<td>569.0</td>
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* Restated to reflect the inclusion of MUN in the Consolidated Entity

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### Consolidated Statement of Operations

($ Millions)

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<th>Estimates 2006-07</th>
<th>Revised 2005-06</th>
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<td><strong>Revenue</strong></td>
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<td><strong>Net Expenses:</strong></td>
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<tr>
<td>Program Expenses</td>
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<td>Debt Servicing Expenses</td>
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<td><strong>Total Net Expenses</strong></td>
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<tr>
<td><strong>Consolidated Surplus</strong></td>
<td><strong>6.2</strong></td>
<td><strong>76.5</strong></td>
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“The Right Choices: Momentum for Growth and Prosperity”
### The Budget Plan 2006

($ Millions)

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<td>Program Expenses</td>
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<td>Debt Servicing Expenses</td>
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<td></td>
<td>177.0</td>
<td>176.4</td>
<td>180.1</td>
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<tr>
<td><strong>Consolidated Surplus</strong></td>
<td>6.2</td>
<td>96.1</td>
<td>55.6</td>
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### Consolidated Surplus / (Deficit)

1999-00 to 2008-09f

Space for chart

“The Right Choices: Momentum for Growth and Prosperity”
Debt Expenses as a Percent of Revenue
1997-98 to 2008-09f

Percent

0 10 20 30


Net Debt as a Percent of GDP
1998 to 2009f

Percent

0 40 50 60 70 80


Note: As of March 31st of the year.

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In 2006-07, the province is expecting to generate royalties from oil production of $703 million and corporate income tax from companies operating in the offshore area of $224 million. This represents direct revenue from offshore oil of $927 million in this year alone. This forecast assumes the average price per barrel of oil will be $US57. Added to this is the benefit accruing to the people of the province from the Atlantic Accord arrangements which will contribute an additional $329 million in 2006-07.

As a benefit of our actions and successes of the past year, we are now in a position to announce that there are no new taxes and, with one exception, no tax rate increases in this year’s budget.

Our primary reason for implementing this solitary tax increase is not to raise new revenue, but to further discourage our people from smoking, particularly our province’s young people, whose spending decisions tend to be more price-sensitive. Effective a minute after midnight tonight, we will raise the tax rate by one cent per cigarette and by five cents per gram of fine-cut tobacco.

A critical element of a competitive economy is its taxation regime. This province has been forced to impose a tax burden on its residents that is high in relation to other jurisdictions. Over the coming fiscal year, our government will undertake a review of the province’s overall tax structure. The government will also give consideration to whether it will mirror federal changes to the dividend tax credit, once details are released by the federal government. This will be done in conjunction with a review of the potential impacts of income trusts on corporate income tax.

Expenditure Plan

Mr. Speaker, we are delighted that, as a result of hard work over the past two years, we are no longer in the position of requiring significant additional revenues from Newfoundlanders and Labradorians. But having made significant fiscal progress and having secured significant new revenues through the Atlantic Accord and other initiatives, we would be fooling ourselves and undermining our future if we were to lose sight now of the purpose for which we sought fiscal stability in the first place. Newfoundland and Labrador continues to carry a heavy burden of net debt – in total, about $12 billion – more than $23,000 for every person in our province, from the oldest to the very youngest. Servicing that debt each year draws hundreds of millions of dollars away from the resources we might otherwise use to strengthen our social
programs and grow our economy. The government is obligated to cover liabilities in various pension plans which previous administrations over the years raided to cover their other expenses. We are the future generations that have inherited the consequences of those decisions. We will not burden our grandchildren with the consequences of our own. But we also recognize that there is more to growing an economy than simply reducing the debt. Newfoundland and Labrador also has a significant infrastructure deficit caused by years of neglect of our roads, ferries, hospitals, schools and other public buildings. Reliable infrastructure is essential to attract investment, capitalize on opportunity and stimulate sustainable economic activity. No less essential for economic sustainability are strategic initiatives that will harness our resources, diversify our economy, educate our people and reduce the barriers to growth and success. It is only by striking an optimal balance and continuing to lay the foundation for economic growth that we will move beyond the downward spirals of the past and fuel the momentum that is advancing us toward a sustainable future.

So with our goal of a strong and self-reliant Newfoundland and Labrador clearly in view, we are moving ahead this year to strike the perfect balance that marries fiscal stability with strategic economic investment. Firstly, we are investing responsibly in reducing our exposure to debt by applying a significant portion of the Atlantic Accord revenue against our pension plan liabilities – liabilities that we would otherwise have to borrow significantly to cover when they come due. This investment will actually free up money we would otherwise need to allocate toward debt servicing. To reinforce our commitment to fiscal prudence, our government will also move to bring balanced budget legislation forward for consideration by this House before the end of this mandate. The days of passing a debt burden on to our children and grandchildren must end. Secondly, we will invest strategically in a bold range of measures to strengthen our education system, unleash an innovation revolution, bolster our public infrastructure, diversify our rural economies, empower Labrador, invigorate our cultural industries, reduce poverty, secure our communities and enhance our public health care system for the long-term benefit of all Newfoundlanders and Labradorians. This is the perfect balance. These are the right choices to sustain momentum for growth and prosperity in Newfoundland and Labrador.

“*The Right Choices: Momentum for Growth and Prosperity*”
INVESTING IN EDUCATION

Mr. Speaker, no investments are more important to the success and sustainability of Newfoundland and Labrador than those we make in our education system. We have a moral obligation to provide a solid educational foundation to those whose future is in our hands. To deny our young people a sound education would be to deny Newfoundland and Labrador a sustainable future, and that would run contrary to everything we are working to achieve.

So this year, despite the fact the current teacher allocation formula calls for the removal of 151 teaching units from our K-to-12 school system, we are investing $5.2 million, which means $9.1 million for a full year, to ensure that not a single one of those teaching units will be cut from our school system this year. We will reinvest those teaching units in strategic areas to address specific concerns: to enhance career counseling, to deliver futures in skilled trades and technology programming and to extend our commitment to cap class sizes to include Grade 2. We will also review the teacher allocation model to determine the best way to address declining enrolments and demographic shifts without compromising the education our children receive.

We cannot overstate the importance of the work our province’s teachers do in preparing our young people to seize the opportunities before them. Inclusion strategies, such as the Individual Support Services Plan, impose significant red tape and documentation requirements on teachers. This year, we will conduct an independent review of this program to identify ways to make it easier for teachers to deliver inclusive education to children with complex and divergent needs.

We also appreciate the importance of ensuring our students have access to the curriculum they need to succeed. This year, we will allocate $2 million for course development and the purchase and upgrading of equipment for schools. This will be paired with a recent $4 million investment for machinery, tools and technology equipment. We will invest another $2.2 million to provide laboratory safety equipment and lab training for teachers in Grades 7 through 12. We are also moving ahead to develop new curriculum that will enable senior high students to focus on Newfoundland and Labrador’s unique history. This will complement the Cultural Connections strategy we commenced last year.

“The Right Choices: Momentum for Growth and Prosperity”
Physical education is beneficial, not only for educational purposes, but also for fitness and personal enrichment. We will invest $1 million this year to extend the purchase of physical education equipment to intermediate grades, consistent with our government’s wellness agenda. This initiative will reinforce the work of the provincial wellness plan, Go Healthy, by increasing fitness opportunities. We are also continuing to work this year with the Government of Canada to develop a new provincial sports policy, and we are allocating an additional $100,000 to enable our athletes to compete in Whitehorse in the 2007 Canada Games.

In keeping with our commitment to ensure safe environments for our children, we are investing $5.3 million to reduce the age of school buses, to purchase 67 new buses and to offset maintenance and the increased cost of fuel.

School board consolidation has, admittedly, made it more difficult for school councils to have direct contact with board personnel. So we are providing funding to hire a liaison within the Department of Education to ensure the voices of parents and communities are heard.

Public libraries have always played an important role in extending education from the classroom into the community. We will provide $250,000 a year in order to lengthen the hours at forty-two public libraries where local demand exceeds existing hours of operation.

UNLEASHING INNOVATION

Mr. Speaker, last year we released our White Paper on Post-secondary Education, a strategy to improve accessibility and the quality and range of programs at the College of the North Atlantic and Memorial University. These are the public institutions in which the quest for knowledge and skills is focused toward success. This year, we will put into action our new Innovation Strategy, a broad plan to extend that preparation for success deep into the business sector where innovation can open up whole new worlds of opportunity and prosperity in both urban and rural communities.

In order to ensure that our graduates are prepared to take on the tremendous opportunities emerging in Newfoundland and Labrador in a wide range of industries, we are this year establishing a Skills Task Force at a cost of $100,000. This broadly-based Skills Task Force will identify our province’s future skills requirements, particularly

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those associated with large-scale development projects; identify skills gaps and their potential impact on attracting large-scale development projects; assess the province’s current ability to respond to these requirements; and identify and develop strategies to ensure a proper training, education and support system to meet industry demands.

We already recognize there are tremendous opportunities for women in nontraditional trades. Therefore, we will provide funding of $270,000 to support initiatives such as the “Women in Apprenticeship and Skilled Trades” initiative proposed by the Women in Resource Development Committee and the International Brotherhood of Electrical Workers. This electrical trades pilot project is a first step in helping to increase the low participation rate of women in the skilled trades and help all our people take advantage of the opportunities that education and innovation bring.

The ideal incubator for innovation is our public post-secondary system. This year, in building on the policies of our White Paper, we will invest $8.5 million in the College of the North Atlantic to make its seventeen campuses stronger and even better able to produce the skilled graduates our economy needs. Once again this year, we have frozen tuition fees. Our investments include new programs at the College: $1 million to target industrial needs and build on regional strengths, $1 million to develop two technology programs targeting the oil and gas sector, and $650,000 to expand the Comprehensive Arts and Science College Transition Program to the campuses at Placentia, Bay St. George, Baie Verte, Gander and Carbonear. We will invest in upgrading the skills of College faculty members and provide $1 million to modernize the College’s industrial trades shops plus a further $500,000 to enhance the support services, equipment and resources that students with disabilities need. We will significantly increase the College’s budget for recruiting and publicizing its exceptional programming and the career paths these programs open up for our young people.

We are also investing heavily in Memorial University. With $32.2 million this year, Memorial will be able to maintain the freeze on tuition fees. We will strengthen the Industrial Research and Innovation Fund with another $7.5 million this year in matching and startup funding as part of a three-year escalating commitment. Each provincial research dollar generates five dollars in external research funding. Memorial’s Marine Institute is at the cutting edge of marine education and innovation. We will invest $1.1 million to replace the Institute’s research and training vessel and another $500,000 to upgrade the Offshore Safety and Survival Centre in Foxtrap, both of which are critical to students and industries throughout Newfoundland and Labrador.
In total, we are investing more than $100 million of additional funding in our province’s education system this year.

With this rock-solid commitment to post-secondary education as the backdrop, we are proceeding to implement our new $20 million Innovation Strategy with a commitment this year of $5 million. Through an aggressive and comprehensive approach to innovation, we will grow our productivity, enhance our global competitiveness, stir the imagination of entrepreneurs and investors alike and provide a strong foundation on which people and communities can prosper and thrive.

With our new Innovation Strategy, we are also focusing on harnessing new opportunities in sectors throughout our economy. We are this year committing $2.85 million to a Commercialization Program to allow companies to leverage funding and financing from a variety of sources to support innovative projects. We are providing $500,000 to prepare the Centre for Environmental Excellence in Corner Brook for research and commercialization opportunities in the environmental sector. We are committing $2.15 million to an Innovation Enhancement Program to support public sector institutions, not-for-profit groups, community organizations and industry associations that are working to enhance the innovative capacity and efficiency of the province. We are increasing funding by $200,000 for the Ireland Business Partnerships.

Innovation within the government is being spearheaded by the Office of the Chief Information Officer and the Public Service Secretariat. The 21st century workplace is one characterized by rapidly advancing technology, global competition and enlightened leadership. We cannot meet the service expectations of the public unless we give our employees supports to continue to rise to the challenges and demands of an ever-changing workplace. We value and understand the critical importance of our public service. We recognize that there can be no growth or transformation in this organization without continual investment. Therefore, we must manage our talent wisely and take strategic measures to create tomorrow’s public service. Through significant investment in our government-wide human resource strategy, we are supporting the exceptional public service work that occurs every day.

In the next fiscal year, this government will invest significantly in initiatives aimed at strengthening the public service and ensuring it continues to achieve excellence: extensive learning and development programs to help frontline program staff within departments enhance their knowledge and skills in support of their departments’ service delivery priorities and also to address occupational health and safety within the
workplace; executive and management learning programs aimed at enhancing the overall management and accountability of the public service; and completion of another round of government-wide human resource planning to build upon the successes achieved since the current human resource plan was approved in 2003 and develop strategies to address further human resource needs in the public service. Through specific, strategic approaches to employee development and succession management, we continue to support the professionalism our employees have demonstrated and to build upon our strengths. We are also setting a foundation for the identification, selection and development of our future leaders. This calculated investment is ultimately aimed at supporting a robust and accountable public service.

We are also excited about the efforts of Newfoundland and Labrador Hydro, hand-in-hand with the Department of Natural Resources, to expand its mandate to encompass a broad array of energy development opportunities. In order to make our Crown corporation a competitive player in the international marketplace, our government will invest in Hydro’s financial health by allowing it to retain $54 million in dividends this year, giving our public utility the leverage to pursue opportunities that will bring new industrial developments and economic wealth to Newfoundland and Labrador. As Hydro leads the charge on hydro energy, wind energy and petroleum energy development, Newfoundlanders and Labradorians will reap the rewards through new industrial projects and new economic wealth in our province. This year, we are investing $350,000 to complete and activate the Provincial Energy Plan and $550,000 to supplement professional services to better align the province for future growth in current and emerging energy developments.

These initiatives to promote innovation and growth will build on those we funded last year, including the Small and Medium Enterprise Fund, the Regional / Sectoral Diversification Fund, the Business Market and Development Program, increased support for tourism marketing, the aquaculture working capital loan guarantee program, the mineral incentive program and grants for rural economic development.

This will also be the first full year of operations for our new Department of Business, which has a mandate to promote growth and investment in all regions and produce a provincial business strategy. The new department is also taking the lead on our Red Tape Reduction project, which will further reduce the costs of doing business. Already this year, we are moving ahead effective April 1st to cut a variety of fees at a total savings to businesses and individuals of $1.5 million a year. Among this year’s fee cuts, we are eliminating the licence fee for food premises through an investment of

“The Right Choices: Momentum for Growth and Prosperity”
$600,000. The Red Tape Reduction Committee has been tasked to conduct a thorough review of all fees in the province and recommend even further reductions, if appropriate. In addition this year, we are eliminating the licensee levy on wine, spirits and beer through a $1.95 million investment.

INVESTING IN INFRASTRUCTURE

Mr. Speaker, throughout Newfoundland and Labrador, existing infrastructure, including roads and public buildings, has been left to deteriorate for decades. Sadly, even though it is critical to maintain and enhance vital infrastructure to preserve its value and promote economic expansion, Newfoundland and Labrador has for too long been without a plan to identify the needs and find ways and means to address them responsibly. Our government has therefore developed a comprehensive Infrastructure Strategy which evaluates the needs and sets out to address them on a priority basis progressively over time. We are making an investment in excess of $300 million this year in infrastructure, the first installment of a planned expenditure to exceed $2 billion over the next six years.

This year, we will move forward with a road construction program worth $142.2 million. Included will be a $60 million Provincial Roads Improvement Program, $29.7 million in cost-shared improvements to the Trans-Canada Highway, $25.5 million for Phase III of the Trans-Labrador Highway, and cost-shared funding to extend the Team Gushue Highway and begin the Torbay Bypass Road. We are also committing our share of Phase I of the plan to place a hard top on the Trans-Labrador Highway. Further highways investments this year include salt management, brush cutting, line painting and $10 million to renew our heavy equipment fleet as part of a multi-year strategy to enhance both summer and winter maintenance capacity. To address concerns about highway safety and potential damage to our highway infrastructure, we will be strategically reactivating weigh scales at Port aux Basques and Foxtrap.

We are committing $9 million this year to refit ferry vessels, another $6.1 million to maintain wharves and terminals, and $1.5 million to initiate design work for the construction of two ferry vessels right here in Newfoundland and Labrador.

Our province’s municipalities also recognize the importance of investing in public infrastructure to promote growth. To work cooperatively with our municipalities, we will invest $22.5 million this year in the municipal capital works program to help
municipalities develop priority infrastructure such as roads, water and sewer, and municipal buildings. We will leverage federal funding for municipalities under the Canada Newfoundland and Labrador Infrastructure Program through our investment of $700,000, the Municipal Rural Infrastructure Fund through our investment of $9 million and the Canada Strategic Infrastructure Fund II through our investment of $1 million, for a total provincial investment in municipal infrastructure this year of $33.2 million. Furthermore, our government will administer the federal gas tax rebate program under which $19.8 million will flow to municipalities for environmentally-sustainable projects.

The province’s public buildings also require regular investments to maximize the value of these properties. We will invest $8.5 million to maintain public buildings, another $8 million to remediate or remove buildings as needed, and $1.5 million to reconfigure buildings to optimize usage and reduce rental costs. We will also begin construction of a much-needed courthouse in Corner Brook.

Nowhere is the need for new investments in public buildings greater than in our health and education sectors. In our health sector, we will invest close to $40 million in new capital construction projects, including new long-term care facilities in Corner Brook, Clarenville and Happy Valley-Goose Bay and planning for long-term care in Lewisporte and St. John’s. In response to the growing need for health care services, we will build a new health centre in Labrador City, continue with renovations to the older section of James Paton Memorial Hospital in Gander, and complete the Cancer Clinic in Grand Falls-Windsor. Budget 2006 includes funding to continue with a new primary health clinic in Grand Bank and renovations to the Blue Crest Nursing Home. In the education system, we will be investing $20.4 million in capital equipment, construction, alterations and improvements at Memorial University, $8.6 million at the College of the North Atlantic, and $37 million in the K-to-12 system.

We will make these significant investments in infrastructure with a keen understanding of the relationship between reliable infrastructure and our attractiveness to investors, and also with a clear appreciation of the capacity of infrastructure work to generate strong economic activity on its own and to improve the lives of our people in numerous ways.
BUILDING RURAL REGIONS

Mr. Speaker, measures such as these, coupled with our other investments in education and the Innovation Strategy, will do a great deal to promote diversification and growth in our rural communities. Many industries offer tremendous promise in rural Newfoundland and Labrador.

None are more exciting than aquaculture. In order to spur private investment in aquaculture, we will make significant public investments in the industry over the next five years. Our aquaculture growth strategy includes a new, three-year, $10 million Aquaculture Capital Investment Program, with a commitment of $3.5 million in 2006-07; and also the establishment of a cod aquaculture demonstration farm and an enhanced aquaculture industry support initiative. We intend to become a leader in this growth industry.

Innovation also offers promise in the fish processing and marketing industry, particularly as we invest in diversification and maximize every opportunity. We will increase our budget for the Seafood Development and Diversification Program by $250,000 a year for the next five years and invest in seafood market development, an international seafood trade development initiative, and strategic infrastructure to improve the efficiency, product quality and safety of our fish landing and handling activities.

We are also looking to the future of our fisheries. We will invest $350,000 over two years to increase the province’s capacity for coastal and oceans management and to prepare an oceans strategy and policy framework. We will also invest $100,000 for a sealing industry communications strategy to counter the fiction and fabrication with facts, and $300,000 a year over five years to implement the cod recovery strategy in partnership with the Government of Canada.

To bolster our fish processing sector and help protect jobs in a time of resource decline, strong international competition and a high dollar, we will reduce the financial burden on the industry by reducing processing licence fees. Effective immediately, we will eliminate fee increases planned for 2006-07 and 2007-08 and also the planned species surcharge increases planned for 2006-07.

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**Agriculture** is another sector that holds tremendous promise in rural Newfoundland and Labrador. We are providing $4 million this year to establish an Agrifoods Development Fund that will support large-scale, strategic and targeted investments in agriculture and agrifoods projects by companies with proven track records that are prepared to make investments of their own. We are providing $2 million to the Provincial Agrifoods Assistance Program, which promotes and supports primary production and secondary processing in the sector. We will invest $2.3 million, primarily for the acquisition of farmland and for the construction of agricultural roads, particularly to support expansion in the dairy sector, and invest in agricultural limestone to support expansion in the dairy and sod sectors. We are also providing $1.3 million based on a review of the Animal Health Division to address growing concerns in the area of animal and human health interaction and to support front-line veterinary services and laboratory testing for our growing farming industry.

Yet another industry that continues to be very important in many rural areas throughout our province is **forestry**. To ensure a healthy wood supply, we are providing $800,000 in new funding to conduct a forest inventory, a $1 million increase in each of the next three years for silviculture initiatives to replenish our resources, and a $1 million increase in forest insect control and fire suppression funding.

Our **mining** industry also offers tremendous promise in rural regions. To boost these opportunities, we are investing $2.5 million in the Mineral Incentive Program, an increase of $900,000, in order to promote mineral prospecting and exploration activity in the province. These direct investments enable junior mining companies and prospectors to leverage significant additional private-sector investment and provide a solid foundation for new business and employment opportunities for our people. We are also committing an additional $500,000 to conduct even more regional geological work in order to provide timely geoscience information that accelerates mineral exploration activity.

Our offshore **oil and gas** industry continues to offer tremendous promise for larger centres but also for rural regions of the province. Petro-Canada’s decision this year to build the Additional Living Quarters Module for the Terra Nova FPSO at the Bull Arm site is a testament to the site’s value and the need to maintain the site in a state of readiness for future work. We will provide $1.1 million this year to the Bull Arm Site Corporation both to manage the site and to help us attract even more offshore fabrication and construction work to our province.
In order to preserve and protect the resources that our industries, communities and future generations will need for years to come, we will continue to promote conservation and sustainable development initiatives. We will continue to fund the Inland Fisheries Enforcement Program and move ahead to draft a Sustainable Development Act.

RENEWING OUR COMMITMENTS TO LABRADOR

Mr. Speaker, one area of our province that is receiving greater attention from our government is Labrador, a vast frontier of promise. We are working cooperatively with the Aboriginal people of Labrador and other Labradorians in an effort to ensure that Labradorians are fully engaged in the developments that lie ahead for the Big Land.

I already mentioned the Trans-Labrador Highway work and other major initiatives that will be proceeding this year in Labrador. We are also committing $325,000 to develop a comprehensive Labrador Transportation Strategy to address the range of challenges that Labradorians face. With the Trans-Labrador Highway open in southern Labrador, we will open a depot to enable summer and winter maintenance between Red Bay and Lodge Bay and also extend the Straits ferry service by an additional month.

We have provided funding of about $1.3 million to implement the Labrador Inuit Land Claims Agreement, which came into effect on December 1, 2005.

We have also announced $1 million to commence an extension of the College of the North Atlantic campus at Happy Valley-Goose Bay, another $1 million to replace the facility at Labrador West, $1.2 million toward a long-term health care facility for Happy Valley-Goose Bay, $1.5 million for a new health centre in Labrador West, and additional funding for a new dialysis unit at Happy Valley-Goose Bay.

In light of the high rate of suicides in Aboriginal communities, the province and Health Canada have discussed cost-sharing a two-year, $240,000 suicide prevention initiative.

As part of our Poverty Reduction Strategy, we are providing $100,000 to expand the Labrador coastal air foodlift subsidy by a third, ensuring that residents can access nutritious food at a reasonable price. We are also providing Supreme Court circuit courts in Labrador coastal communities, expanding court security at Happy Valley-Goose Bay and Wabush, funding Fetal Alcohol Spectrum Disorder assessments at the

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Labrador Correctional Centre and hiring a Senior Policy Analyst to research Aboriginal translation services.

We are investing $100,000 to fund the Destination Labrador tourism marketing campaign and committing a $1.9 million provincial contribution to establish a performance space in Happy Valley-Goose Bay.

Together, our investments in Labrador this year total $60 million.

**INVESTING IN OUR HERITAGE**

Mr. Speaker, last year our government acknowledged the tremendous role our cultural industries play in promoting pride in who we are as Newfoundlanders and Labradorians and in generating tremendous economic activity through their ingenuity and innovation. This year, we are building on the advances we made last year through further strong investments in our cultural sector. The centrepiece of our efforts this year is the development of Newfoundland and Labrador’s first-ever Strategic Cultural Plan, a medley of measures designed to strengthen this sector. This Budget commits an investment of $17.6 million over the next three years to implement this Plan.

With culture as our focus, we will pursue a range of measures to further strengthen our cultural industries. This will include $200,000 in core funding for arts organizations and $300,000 for heritage sites and community museums. We will establish a Cultural Tourism Working Group to assess and identify ways to better harness our cultural tourism product. We will also invest in Music Newfoundland and Labrador, a Publishers Assistance Program and the Newfoundland and Labrador Film Development Corporation.

The Newfoundland and Labrador Arts Council is proudly celebrating its 25th anniversary this year. We are increasing our allocation to the Council by $300,000 this year, bringing its funding to $1.15 million so it can better support the arts community. Our cumulative new investment in the Arts Council over the next three years will be $1.8 million, which will double the Council’s existing budget. We will also move ahead to enable the development of a long-awaited Artist’s Code.

We will increase funding for the Art Procurement Program under the auspices of the Provincial Art Gallery at The Rooms, enhance the provincial Arts and Letters Program,
research investment and endowment models that help to support the arts and culture sector, and develop a strategy to safeguard and promote the province’s intangible heritage. We will invest in capital works and technical upgrades at the Arts and Culture Centres and the renovation of the LSPU Hall.

We will begin to develop interpretation and revitalization plans for the historic Colonial Building and allocate funds to enhance the Corner Brook Museum, the Loggers’ Life and Mary March museums in Grand Falls-Windsor, the Seamen’s Museum in Grand Bank, the Mockbeggar Plantation and the Bonavista Lighthouse, Commissariat House, Quidi Vidi Battery, the Ryan Shop in Trinity, the Cable Station in Heart’s Content and the Point Amour Lighthouse.

In addition to this, we will invest in community events throughout the province. Through our Recreation Division, we will provide $200,000 to fund the 2006 world triathlon and duathlon world championships in Corner Brook. And we are investing now to prepare for the 100th anniversary, in 2009, of Captain Bob Bartlett’s trip to the North Pole and moving ahead to plan the 2010 celebration of the 400th anniversary of John Guy’s Colony at Cupids.

These cultural initiatives will complement the additional resources we are investing in tourism development to foster growth in an industry that can mean magnificent opportunities throughout Newfoundland and Labrador, irrespective of location. We will invest $100,000 this year to achieve goals laid out in our Tourism Product Development Strategy. We have committed another $2 million beyond what was announced in last year’s Budget in order to bring our total tourism marketing budget up to $10 million. And we will upgrade and extend the operating time of our province’s Visitor Information Centres and establish a new provincial centre at the St. John’s International Airport.

Protecting our heritage also means protecting our natural environment. We are increasing funding from $300,000 to $500,000 for the continued implementation of the province’s Climate Change Action Plan and providing $1 million this year for the continued clean-up of selected contaminated sites.

To ensure the health of our wildlife populations, we are providing funding of about $3 million over two years to assess the status of ten of the province’s major caribou populations, and will also establish a multi-stakeholder Advisory Committee to help guide the development of a caribou strategy.
We are also moving ahead with a long-term reinvestment strategy for our Provincial Parks System by providing $1 million this year to add additional campsites and construct another comfort station at Butter Pot Provincial Park, construct a comfort station at Squires Memorial Provincial Park, construct a comfort station and dumping station at Pinware River Provincial Park, and build dumping stations at Frenchman’s Cove Provincial Park and J. T. Cheeseman Provincial Park. These additions will make our parks more attractive destinations and allow us to meet the broader range of services and amenities demanded by the modern consumer.

We are investing additional funds to help preserve and promote our remarkable natural areas. This year, we will focus on supporting the new interpretation centre for the Mistaken Point Ecological Reserve and another for the Burnt Cape Ecological Reserve. We are also providing $259,000 to advance the Natural Areas System Plan, which is focused on protecting and promoting these areas for their esthetic and economic value.

Together, this broad range of initiatives will strengthen our province and provide the foundation for diversified economic development in regions throughout Newfoundland and Labrador.

REDCING POVERTY AND INCREASING SELF-RELIANCE

Mr. Speaker, we have outlined numerous ways in which we will work with Newfoundlanders and Labradorians to create new opportunities in both traditional and breakthrough industries. These initiatives will open doors for people throughout Newfoundland and Labrador. But for many people in our province, obstacles stand in the way of opportunity. Currently, approximately 66,000 individuals in 33,000 families in our province live in poverty. Poverty often means poor nutrition and poor health, poor educational opportunities and poor employment prospects. But it is not only the poor who suffer the costs and consequences of poverty. We all suffer when circumstances prevent so many among us from developing and contributing to their full potential.

Guided by a strong social conscience, we moved forward last year to develop Newfoundland and Labrador’s first-ever comprehensive, integrated Poverty Reduction Strategy. We set to work to gather solid research and consult broadly with those who understand poverty best in order to develop an action plan that will truly make a difference. We are ready this year to announce our progressive Poverty Reduction Strategy with an investment in measures across several departments totaling $62 million on an annualized basis.
Our research and consultations have indicated that prescription drug costs create the biggest financial barrier to work for those on Income Support and are a significant hardship for those earning low wages who lack prescription drug insurance. This year, we will invest $8.3 million (which means $32.8 million on an annualized basis) to extend eligibility for the Newfoundland and Labrador Prescription Drug Program to more low-income residents and introduce an accelerated co-pay at the same time for these additional clients. This initiative will expand coverage to approximately 97,000 additional people.

Some people face barriers to work because of high housing costs. At an annual cost of $750,000, Newfoundland and Labrador Housing will begin calculating the rent of employed tenants to reflect net pay rather than gross earnings, thereby cutting rental charges by about $50 a month for some 1,200 households. This initiative will be complemented by others through NLHC, including Phases I and II of the Affordable Housing Agreement, the Provincial Home Repair Program and the Residential Energy Efficiency Program.

To assist in the transition to the work force, we will invest $570,000 to extend Income Support to clients starting a job during the critical first month and will simplify the process for reporting income. We will also invest another $500,000 this year to continue career development, job recruitment and placement initiatives to help Income Support clients, especially young people, find jobs. Also, we will increase funding under the Supported Employment Program for adults with developmental disabilities.

Recognizing that education is critical in achieving self-sufficiency, we will invest an additional $1.2 million a year to expand the number of Adult Basic Education courses at College of the North Atlantic campuses. We will provide a monthly $25 rental rebate for every adult member of an NLHC household who is in full-time attendance at a post-secondary institution as well as for every level 2, 3 and 4 high school student in a tenant household. And, as already indicated, we will also invest $2 million a year to assist female and male students in Grades 10 through 12 with new skills-development courses that can open up college and career paths.

We believe no parent should have to pay for instructional materials that students require to participate fully in classroom instruction, such as workbooks and photocopying. Therefore, this year, at a total cost of $5.3 million, we are increasing the instructional...
grant from $80 to $150 per pupil in order to eliminate common school fees for all items and services that are currently purchased in bulk by schools and boards and billed back to parents. We will also invest $1 million to cover prescribed consumable workbooks.

To promote student health, we will invest $250,000 to implement new school food guidelines to encourage healthy eating and enable school cafeterias to provide healthier food choices. This complements our $500,000 investment under the provincial Go Healthy wellness plan for the Kids Eat Smart Foundation, which works with schools and community groups to establish nutritious breakfast, lunch and snack programs. With an annual contribution of $250,000, we will also continue to support the Jumpstart Program developed by the Canadian Tire Foundation for Families, which enables children from low-income homes to participate in sports and recreational activities.

We also know that low-income families often find it difficult to pay surcharges associated with accessing dental care for their children covered by the Provincial Children’s Dental Program. We are allocating an additional $4.1 million in an effort to eliminate these surcharges so that all families can avail of the dental health services their children need.

While education and employment are keys to reducing poverty, it is also essential to support those who are most vulnerable in our society. We will invest $7.4 million a year to raise Income Support rates by 5 per cent, a further $3 million a year beginning in 2007-08 to index Income Support rates to the rate of inflation, and another $2.8 million a year to further assist families in high-rent centres or with high-cost needs with their rental costs. We are also increasing the rate we provide for Income Support clients to cover funeral costs. And for families of children with disabilities, who often face extraordinary costs, we will invest $2.25 million a year to increase access to the Special Child Welfare Allowance program that helps families offset some of these costs.

Many low-income families have particular difficulties accessing legal and counseling support services. We will invest $679,000 to expand Unified Family Court Services to provide more family law resources throughout the province, thereby enabling the working poor, particularly in rural areas, to reduce their legal expenses through improved access to family law services. We will invest $250,000 to enhance civil legal aid services that help low-income families with family law matters. And we will increase funding to the province’s Women’s Centres by $80,000 a year so they can continue to provide counseling, support, and education services to women throughout the province.

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Measures such as these will help break the cycle of poverty, both by addressing the consequences of poverty and by targeting the circumstances that cause and sustain poverty.

**ENSURING SAFE AND SECURE COMMUNITIES**

Mr. Speaker, to complement these initiatives and support safe and secure communities, we are announcing a range of investments in justice, policing and violence prevention.

This year, we are investing $10 million to bolster the **Royal Newfoundland Constabulary and the RCMP**. We are investing $3.1 million of this to strengthen the police presence throughout the province. This includes $516,000 to hire four new RCMP officers in the Grand Falls-Windsor, Trinity-Conception, Deer Lake and Nain regions; $592,000 to create five RCMP regular member positions and related operational funding, including three Highway Patrol and two drug awareness officers; $900,000 to fill nine vacant regular RCMP member positions throughout the province; $970,000 to create eight new RNC Constable positions including drug awareness officers in St. John’s, Corner Brook and Labrador West; and $170,000 to support a new RNC dog unit for Corner Brook.

Some of these investments build on the success of the RNC training program. In September, the first graduates of the new RNC training program at Memorial University received their badges and, since then, all 28 have been hired to law enforcement positions in the province. Another 26 are currently enrolled and we anticipate a further 30 will join the program this year.

We will also continue to address financial and human resource deficiencies that have resulted from a decade of cutbacks to both of the province’s police forces. We are investing $6.9 million in the RNC and RCMP for administrative operations. This includes $178,000 for five new administrative / clerical positions in the RNC’s Criminal Investigation Division, Strategic Planning Division and Property Room; $166,000 to hire four new RNC civilian dispatchers; $3.4 million to help the RNC address significant pressures associated with complex investigations, equipment purchases, mandatory training and the need for a new Sexual Assault Nurses in Emergency Program; $124,000 for two RCMP Operational Communication Centre positions; $60,000 for two RCMP public service positions in Forteau and Mary’s Harbour; and $3 million for the RCMP to cover other significant costs.

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Together, these initiatives will put more police on patrol while at the same time addressing the administrative issues recently raised by the Auditor General.

We are also investing $220,000 to expand court security in Happy Valley-Goose Bay, Wabush and Grand Falls-Windsor and, in total, $1.1 million to strengthen the provincial legal aid system.

To enhance child protection services, we will fund 55 new child, youth and family services positions over the next three years, beginning with a new investment of $1.5 million in 2006-07. We are strengthening our resolve to make a lasting impact on the incidence of violence in our communities with a $1.25 million investment to support the government’s new six-year action plan on violence prevention, Taking Action 2012.

To further assist women and their children leaving abusive relationships, we will provide an additional $305,000 to support transition homes in Labrador West, Hopedale and St. John’s. And we will also invest $100,000 this year in spousal abuse and sex offender treatment programs, expanding the programs beyond St. John’s and the west coast to include Labrador and central Newfoundland. With these measures, we will endeavour to make our communities and our people safer and more secure.

**IMPROVING OUR HEALTH**

Mr. Speaker, strong economic growth enriches a government’s ability to invest in our provincial health care system. Supported by national health accord funding the Premier negotiated with First Ministers, we have made strategic investments in health care, improved access to key services and endeavoured to respond more effectively to the health care needs of our people. This year’s budget invests over $180 million in new health care funding, bringing our total investment in health care to $1.96 billion, a 10 per cent increase over last year’s budget.

Earlier, I announced significant investments in several health care facilities. Complementing this will be additional investments of over $60 million to maintain our core health and community services through our Regional Integrated Health Authorities.

We will invest $15.6 million in new funding this year to help prevent and treat cancer. This includes $1.5 million to enhance the Provincial Cervical Screening Program,
$750,000 for breast screening centres in Grand Falls-Windsor and St. John's and other program enhancements, $3.3 million to construct two new bunkers to house two new radiation treatment machines at the Dr. H. Bliss Murphy Centre, $6.4 million to introduce new treatment therapies for colorectal cancer and multiple myeloma, and an additional $3.6 million to cover four medications: Eprex and Aranesp for cancer-related anemia, Tarceva for certain lung cancers and Herceptin for early-stage breast cancer.

Under our new policy framework Working Together for Mental Health, we are investing another $1 million to enhance primary mental health services in the province. We will also provide a further $1 million to strengthen resources to assist persons struggling with gambling and other addictions, in addition to the $1.1 million we are investing this year to construct a new, $3 million provincial addictions treatment centre in Corner Brook. Last year, our government froze the number of VLTs in the province and committed to reduce the number in service by 407 (or 15 per cent) over five years, beginning on April 1, 2006. I am pleased to advise that 90 VLTs will be removed from service two days from now. This represents a 3.3 per cent reduction in total VLTs this year. We are now on a track with a plan to remove 428 VLTs by April 1, 2010, a total reduction of almost 16 per cent. In addition, our government is considering other options aimed at reducing problem gambling, and further initiatives may be expected in the near future.

We will also strengthen our public health capacity in the Department of Health and Community Services as well as the regional health authorities. We are adopting an integrated approach across several departments to ensure we are prepared to respond to and manage public health emergencies such as an influenza pandemic, which is a significant public concern around the world.

We will invest $1.3 million to implement the province’s new wellness plan, Go Healthy, in addition to the record $2.4 million we invested in wellness last year; and we will complete ongoing public consultations and use the feedback to develop a new Provincial Healthy Aging Framework.

We will also build on our commitment to improve access to health care services throughout the province. We will invest $6 million to bring the personal care home subsidy rate from $1,138 per month up to $1,500 per month effective July 1, 2006 and provide additional subsidies to address the current wait list. We will reduce the wait list

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for home support for seniors and persons with disabilities through a $2.7 million investment this year.

In response to growing demands for dialysis services, we are committing $1.5 million this year to address the increased needs of existing sites. We will also proceed with three new renal dialysis units on the Burin Peninsula, at Happy Valley-Goose Bay and at St. Anthony.

We will provide new funding to enable our people, for the very first time, to benefit from in vitro fertilization procedures without having to leave the province.

And we will provide an additional $1.7 million to add new medications to the provincial formulary, including cancer drugs just mentioned. And beginning in September, the provincial formulary will include the Alzheimer’s medications Reminyl, Exelon and Aricept.

CONCLUSION

Mr. Speaker, these are the right choices to harness the growing momentum in Newfoundland and Labrador in ways that will bring growth and prosperity to our communities and our people. Through these strategic investments in health care, community safety, poverty reduction, our cultural industries, our natural resources, Labrador development, rural diversification, infrastructure, innovation and education, we are using the tools in our hands to build a stronger, more vibrant, more sustainable and self-reliant Newfoundland and Labrador, for both our citizens today and our children tomorrow. We are moving forward, not only with hope for the future, but more importantly with confidence that we can make the future of our hopes and dreams a tangible reality. As a result of our hard work and successful negotiations with the Government of Canada, this year we are able to make significant progress in implementing our eight-year blueprint for economic and social development. We look forward to continuing to strengthen the partnership we have been building with our province’s workers, our entrepreneurs and innovators, our educators and community leaders, our seniors and young people and all Newfoundlanders and Labradorians in a cooperative effort to make our province the powerhouse of opportunity and growth that we know we are truly capable of being. Together, we will harness the pride and optimism that is flourishing in our province today, and together, we will usher in a bold new era of prosperity and self-reliance for Newfoundland and Labrador.